



SOARING To New Heights

2014 | ANNUAL REPORT



NORTH SHORE BANK

Well north of your expectations.SM



President and COO, Kevin M. Tierney (left) and Chief Executive Officer David J. LaFlamme

An ongoing commitment to the communities we serve.

We're confident that 2014 will be remembered as a defining year in the history of North Shore Bank. Successfully completing our merger with Saugusbank in September, this event was much more than just two well run, culturally compatible banks coming together. It was the culmination of countless hours of strategic planning and the joint determination of how best to meet the challenges facing today's financial industry.

Along with the economic crises that befell global markets in 2008 and beyond came a very challenging business environment for community banks like North Shore Bank. Government regulation aimed at controlling the risk at larger financial institutions has had the unintended consequences of significantly impacting smaller institutions as well. In addition, a protracted period of very low interest rates, as managed by the Federal Reserve Bank, has threatened the fundamental business model of community banking. Nevertheless, North Shore Bank has remained profitable

throughout the turmoil of these past several years and has emerged stronger with more strategic flexibility and sustainability.

When factoring the effects of increased regulation, technological change, shrinking interest margins, economic consolidation, and even globalization, it was apparent that to successfully compete, community banks like ours needed to develop the resources that would allow them to grow. In our case, we determined that the best strategic solution was for North Shore Bank and Saugusbank to join forces. By doing so we could create the scale necessary to remain competitive, while continuing to serve the community, our customers, and employees in the proud tradition of a mutual co-operative bank.


As you can see from the adjacent charts, all major balance sheet categories increased significantly during 2014. While much of this growth can be attributed

attributed to the merger, it would be shortsighted not to recognize the contribution of a number of customer acquisition programs that were enacted during the course of the year. Our commercial lending division had another extremely successful campaign – further expanding its portfolio of commercial and industrial, real estate mortgage, and construction and development relationships. A few examples of the types of companies that we have assisted will be highlighted in subsequent pages of this report.

In 2014 we also engaged in some fairly innovative product engineering, seeing steady growth within the home equity and personal checking account ranks. With respect to home equity lending, we introduced a very successful interest rate promotion that offered an introductory 1.25% annual percentage rate – considerably lower than the average market rate. Later in the year we also revamped our checking menu, introducing a rewards-based relationship account, Advantage Checking, as well as Cash-Back Checking, an account that pays up to \$28 each statement cycle when certain conditions are satisfied. It is our belief that this type of product development is essential to meeting the ever-changing needs of the marketplace, and we are committed to similar enhancements in the months to come.

As in prior years, North Shore Bank again made significant contributions to local and regional non-profits. In fact, the bank donated to 120 different non-profit and civic organizations. In addition to direct financial support, it is also important to note that employees generously donated their time, creative energy, and expertise serving on countless committees and boards. While these activities are obviously not part of our core business, we are convinced that our volunteerism and philanthropic involvement is just another way that we assist in the overall betterment of the community.

When we reflect on the achievements of 2014, it's hard to imagine that we could have accomplished so much without the dedicated efforts of our employees and officers, as well as our board of directors. We're confident that North Shore Bank is well positioned to meet the challenges ahead, and we look forward to working with our customers and colleagues in the coming year.



Chief Executive Officer
North Shore Bank



President and Chief Operating Officer
North Shore Bank

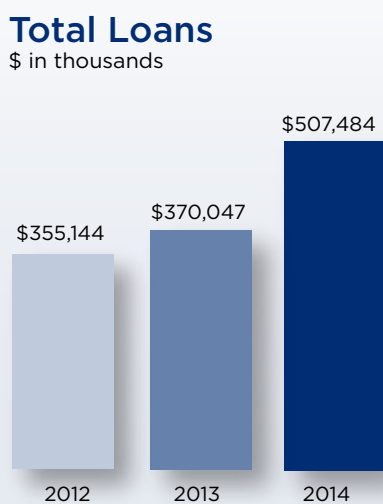
Total Assets

\$ in thousands



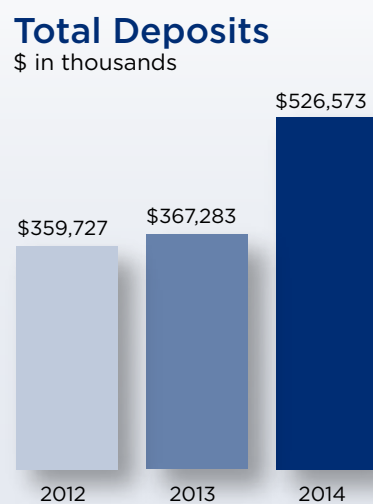
Total Loans

\$ in thousands



Total Deposits

\$ in thousands



North Shore Bank lenders have a pretty sweet rep.



To say that Kane's Donuts is an area landmark is an obvious understatement. Since 1955, this second-generation, family-owned business has been serving up its decadent confections to the North Shore and beyond. In fact, Kane's has been featured regularly in television and print reporting, while their award-winning delicacies have repeatedly been named to numerous national "Top-10" and "Best Of" lists.

Up until recently, Kane's had operated through a single location at 120 Lincoln Ave. in Saugus. However, earlier this year the company established a second store at Two International Place in Boston's busy financial district. Not surprisingly . . . the results have been nothing short of spectacular.

"North Shore Bank has been instrumental to our expansion plans. Their ongoing financial support has allowed us to almost double our baking capacity and this has obviously been crucial to the success of our second location. It's extremely reassuring to know that you have a partner like NSB in your corner."

**— Paul Delios
Kane's Donuts**



North Shore Bank AVP and Commercial Lender Phil Noto (left), with Paul Delios, owner of Kane's Donuts



(L-R) Mark Mscisz of Classico LLC with NSB VP and Commercial Lender Steve Pettengill and Steve Mscisz, Classico LLC at one of the Danvers Indoor Sports turf fields

They've never been afraid to play ball.



With over 160,000 square feet of indoor turf fields and all-sport courts, Danvers Indoor Sports has fast become the go-to destination for individuals, families, school systems, and area sports clubs. Located at 150 Andover Street in Danvers, the complex offers soccer, lacrosse, field hockey, volleyball, basketball, and even non-traditional sports like dodge ball.

Originally built in 2011, within three years of its completion, the developers quickly recognized that demand for the facility was exceeding capacity and that by expanding they could not only increase field space but also offer educational and training programs for coaches and referees. North Shore Bank provided development financing to Classico LLC and MRS Management for both the first and second phases of the construction projects – the most recent consisting of a full-sized turf soccer field and four new all-sport courts.

“We couldn’t be happier with the treatment that we’ve received from North Shore Bank. They embraced our vision right from the very beginning of the project and throughout the process they have been extremely flexible and responsive to our needs.”

— Mark Mscisz, Manager, Classico LLC

Partnering to build strong communities.



Building homes is second nature to Procopio Construction. After all it's in the company DNA. A third-generation, family owned business, the company has been serving the housing needs of eastern Massachusetts since 1950. Specializing in new homes, land development, and civil construction, Procopio Construction strives to build strong client relationships based on trust, integrity and exceptional service.

With the help of North Shore Bank, Procopio Construction recently broke ground in Lynn on a new 30,000 square foot development. Upon completion this project will provide 42 beautifully appointed apartments in the picturesque Saugus River section of the city.

“We’ve worked with North Shore Bank, and before that, Saugusbank, for more than twenty-five years. During this time we’ve always found them to be open-minded and very responsive to the needs of our business. For a construction firm, those qualities are invaluable in a lending relationship.”

**— Kevin Procopio
Procopio Construction**



North Shore Bank SVP and Commercial Real Estate Lender Peter Fenn (Left), with Kevin Procopio, President of Procopio Construction

Consolidated Statement of Condition

(Dollars in Thousands)

	December 31,	
	2014	2013
Assets		
Cash and Due From Depository Institutions	\$ 8,911	\$ 7,661
Securities	90,858	49,044
Overnight Investments	26,398	22,925
Loans		
Loans	507,484	370,047
Allowance for Loan Losses	(5,420)	(5,343)
Net Loans	502,064	364,704
Fixed Assets		
Land and Building	8,955	6,419
Equipment	3,470	1,072
Total Fixed Assets	12,425	7,491
Other Assets	28,082	17,818
Total Assets	\$ 668,738	\$ 469,643
Liabilities		
Deposits		
Demand Deposits	\$ 101,498	\$ 73,310
Interest Bearing Balances		
MMDA Accounts	144,925	116,533
Savings Accounts	91,761	40,419
Time Deposits	144,462	104,872
NOW Accounts	43,926	32,149
Total Interest Bearing	425,075	293,973
Total Deposits	526,573	367,283
Borrowed Funds	59,286	45,111
Repurchase Agreements	2,414	2,360
Other Liabilities	6,895	3,482
Total Liabilities	595,168	418,236
Equity Capital		
Total Equity Capital	73,570	51,407
Total Liabilities and Equity Capital	\$ 668,738	\$ 469,643

North Shore Bank Officers

David J. LaFlamme — *Chief Executive Officer*

Kevin M. Tierney, Sr. — *President & COO*

Finance Division

George J. Sophinos — *Senior Vice President, Chief Financial Officer*

Robert R. Clay — *Senior Vice President*

Dorothy M. Roth — *Vice President*

Amanda P. Yim — *Accounting Officer*

Susan T. Inserra — *Assistant Treasurer*

Human Resources Division

Beth A. Tichy — *Senior Vice President*

Lisbeth Flores — *Human Resources Officer*

Lending Division

Michael D. Brown — *Senior Vice President*

Peter D. Fenn — *Senior Vice President*

Jerome J. Salerno — *Senior Vice President*

Sherry M. Ambrose — *Vice President*

Joanne V. Donovan — *Vice President*

Richard E. Felteau — *Vice President*

Rosemary Garcia Frost — *Vice President*

William J. Kell — *Vice President*

Peter F. Malinowski — *Vice President*

Steven C. Pettengill — *Vice President*

Tina M. Bohondoney — *Assistant Vice President*

Ross T. Caswell — *Assistant Vice President*

Bertha E. Mulley — *Assistant Vice President*

Phillip P. Noto — *Assistant Vice President*

Lisa F. Chochrek — *Appraisal Officer*

Sean P. Driscoll — *Commercial Loan Officer*

Lisa Scopa — *Commercial Loan Officer*

Operations and Information Technology Division

Susan Cheever Shea — *Senior Vice President*

Gary A. Frost — *Vice President*

Kimberly A. Lovett — *Vice President*

Daniel S. Ruane — *Assistant Vice President*

Retail Banking Division

James M. Muse — *Senior Vice President*

Judith F. Doherty — *Vice President*

David A. Munroe — *Vice President*

Christopher G. Pesce — *Vice President*

Michael F. Zellen — *Vice President*

Diane M. Ayers — *Assistant Vice President*

Linda S. Leblanc — *Assistant Vice President*

Suzanne L. O'Brien — *Assistant Vice President*

Mary Beth O'Connell — *Assistant Vice President*

Maria A. Silva — *Assistant Vice President*

Deborah A. Alphonse — *Sales and Service Manager*

Mary Lou Da Silva — *Sales and Service Manager*

Betzi De La Rocha — *Sales and Service Manager*

Carol Varone — *Sales and Service Manager*

Board of Directors

Gary F. Cowles — *Chairman*
David L. Ankeles
Luis L. Azevedo
Benoit J. Brodeur, Jr.
Jonathan N. Bursaw
Timothy F. Clarke
John M. Dean
Bradley R. Gauthier
Charles E. Holden
David J. LaFlamme
Francis J. McCormack
Cynthia McGurren
Pamela Casey O'Brien
Samuel Penta
Kevin M. Tierney, Sr.
Richard A. Yagjian

Bank Corporators

Nicholas Ambeliotis
David L. Ankeles
Luis L. Azevedo
Virginia Blazo
Amanda R. Brinkley
Benoit J. Brodeur, Jr.
Jonathan N. Bursaw
Karen Murray Cady
Timothy F. Clarke
Gary F. Cowles
John M. Dean
John A. Diskes
Thomas J. Durkin, III
Robert A. Ferm
Bradley R. Gauthier
Mark L. Goldstein
Charles E. Holden
John R. Keilty, Esquire
David J. LaFlamme
Alan G. Lampert
Roger D. LeBlanc
Daniel J. Lemieux
Kevin Lyons

Jill Elmstrom Mann
Albert Martins
Francis J. McCormack
Cynthia McGurren
David P. McKenna
Pamela Casey O'Brien
Darryl Parker
Samuel Penta
Paul Richardson
Peter S. Routsos
Joseph S. Sabelli
Mark R. Shaw
William H. Sheehan, III
Charles L. Short, Jr.
Ira S. Singer
Michael T. Smerczynski
George J. Sophinos
Kevin M. Tierney, Sr.
Stephen T. Vesey
Suzanne Waite
William J. Woods
Richard A. Yagjian
Pamela Zerber

Danvers River, heading toward Beverly



2014 Community Support

- ▶ 1728 Club of Middleton
- ▶ Andrew Silverman Memorial Golf Outing
- ▶ Anna Jaques Community Health Foundation
- ▶ Anna Jaques Hospital Aid Association
- ▶ Anti-Defamation League
- ▶ Belmont Youth Baseball
- ▶ Beverly Bootstraps
- ▶ Beverly Firefighters Relief Association
- ▶ Beverly High School Football Boosters
- ▶ Beverly Main Streets
- ▶ Beverly/Salem Lodge of Elks 1309
- ▶ Boys and Girls Club of Greater Haverhill
- ▶ Boys and Girls Club of Greater Salem and Lynn
- ▶ Breast Cancer Awareness Ball
- ▶ Catholic Charities North
- ▶ Chief Will's Day
- ▶ Citizens for Adequate Housing, Inc.
- ▶ City of Peabody – International Festival
- ▶ Community Association Institute, New England Chapter
- ▶ CP of Eastern Massachusetts, Inc.
- ▶ D. E. Dance Co.
- ▶ Danvers Family Festival
- ▶ Danvers High School Project Graduation
- ▶ Danvers Historical Society
- ▶ Danvers YMCA
- ▶ East District PDD Association
- ▶ Edward J. Garabedian Scholarship Fund
- ▶ Essex County Community Foundation
- ▶ Essex National Heritage Commission
- ▶ Friends of Danvers Recreation Inc.
- ▶ Friends of Northshore Education Consortium
- ▶ Friends of the Danvers Committee for Diversity
- ▶ Friends of the Peabody Institute Libraries
- ▶ Gathering Change, Inc.
- ▶ Greater Beverly Chamber of Commerce
- ▶ Haven From Hunger
- ▶ HAWC
- ▶ Herman A. Spear Post No. 331
- ▶ Kerry and Sully Foundation
- ▶ Kiwanis Club of Danvers
- ▶ Link House, Inc.
- ▶ Lynn Community Health Center
- ▶ Making a Difference in Peabody
- ▶ Massachusetts Bankers Association Charitable Foundation
- ▶ Massachusetts Down Syndrome Congress
- ▶ MEG Foundation
- ▶ Melrose YMCA Charity Golf Tournament
- ▶ Merrimack Valley Hospice
- ▶ Middleton Board of Trade
- ▶ Montserrat College of Arts
- ▶ My Brother's Table
- ▶ Newton Historical Society
- ▶ North Shore Action
- ▶ North Shore Chamber of Commerce
- ▶ North Shore Community Action Programs
- ▶ North Shore Community Development Coalition
- ▶ North Shore Consumer Credit Association
- ▶ North Shore Habitat for Humanity
- ▶ North Shore Medical Center
- ▶ Northeast Animal Shelter

Lynch Park in Beverly



- ▶ Northeast Arc
- ▶ Northeast Massachusetts Youth Orchestra
- ▶ NSCC Foundation Inc.
- ▶ Pan-Mass Challenge
- ▶ Peabody Area Chamber of Commerce
- ▶ Peabody Council on Aging
- ▶ Peabody Education Foundation
- ▶ Peabody Firefighters Honor Guard Association
- ▶ Peabody High School Hockey Boosters
- ▶ Peabody Institute Library Foundation
- ▶ Peabody Lions Club
- ▶ Peabody Police Benevolent Association
- ▶ Peabody Track and Field
- ▶ Peabody Western Little League
- ▶ PKD Foundation
- ▶ PRLACC
- ▶ River House, Inc.
- ▶ RMHS Drama Club
- ▶ Rotary Club of Danvers
- ▶ Rotary Club of Peabody
- ▶ Rotary Club of Saugus
- ▶ Rotary District 7930
- ▶ Saint Anselm College
- ▶ Salem Chamber of Commerce
- ▶ Salem Music Boosters
- ▶ Salem Sound Coastwatch
- ▶ Salem State Alumni Association
- ▶ Salem State University Foundation
- ▶ Santa's Magic
- ▶ Saugus Boosters Club Inc.
- ▶ Saugus Chamber of Commerce
- ▶ SBEC
- ▶ Special Olympics Massachusetts
- ▶ St. John's Episcopal Church
- ▶ Stellato Enhance Sports
- ▶ Stephen O'Brady Scholarship Foundation



Middleton Square

- ▶ Sullivan Education Fund
- ▶ The Beverly Homecoming Committee
- ▶ The Caleb Foundation
- ▶ The Children's Center for Communication
- ▶ The George Peabody Society
- ▶ The Holocaust Center Boston North Inc.
- ▶ The Listening Place Concert
- ▶ The Pete Frates #4 Fund
- ▶ The Progeria Research Foundation
- ▶ The Salem Partnership
- ▶ The Ward 4 July 4th Committee
- ▶ The Ward 4 Scholarship Fund
- ▶ Tower School
- ▶ Town of Salisbury
- ▶ Town of Saugus
- ▶ Wicked Running Club
- ▶ Witchcraft Heights Elementary School
- ▶ Yankee Clipper Council, BSA
- ▶ YMCA of Metro North
- ▶ YMCA of the North Shore



NORTH SHORE BANK

Well north of your expectations.SM

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Member FDIC Member SIF Equal Housing Lender 